

Message Text

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PAGE 01 GENEVA 00992 141448Z

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 IO-10 ISO-00 AGR-05 CIAE-00

COME-00 INR-07 LAB-04 NSAE-00 SP-02 STR-01 TRSE-00

CIEP-01 FRB-03 OMB-01 L-02 /062 W

----- 034450

R 141420Z FEB 75

FM USMISSION GENEVA

TO SECSTATE WASHDC 710

AMCONSUL HONG KONG

INFO AMEMBASSY BRUSSELS

AMEMBASSY LONDON

C O N F I D E N T I A L GENEVA 0992

E.O. 11652: N/A

TAGS: ETRD HK

SUBJECT: TEXTILES-HKG NEGOTIATIONS WITH EC

REF: HONG HONG 1377

1. AS PER REFTEL, MILLS CALLED ON PHELAN AFTERNOON FEB 11. EXPLAINED THAT HKG'S PRELIMINARY AND INFORMAL CONTACTS WITH EC HAD LED HKG CONCLUDE THAT SERIOUS MISCONCEPTIONS RE TERMS AND PROVISIONS US/HKG TEXTILE BILATERAL CONTINUED EXIST BOTH IN MEMBERS STATES AND IN COMMISSION. HKG FELT THAT IT ESSENTIAL THESE BE CLEARED UP PRIOR BEGINNING FORMAL NEGOTIATIONS WILL EC NOW TENTATIVELY SCHEDULED TOWARD END MARCH. ACCORDINGLY, MILLS PLANNING VISIT CERTAIN EC CAPITALS AND BRUSSELS IN PURSUIT THIS END BEFORE RETURNING HONG KONG.

2. MILLS HAD "TALKING PAPER" WHICH HE PLANNED USE IN FOREGOING EXERCISE AND WISHED CHECK WHETHER ANY STATEMENTS HE WOULD MAKE MIGHT BE OBJECTIONABLE FROM U.S. VIEWPOINT. AFTER CAREFUL READING PAPER, MILLS WAS ADVISED THAT, SINCE EVERY STATEMENT OR ARGUMENT ADVANCED THEREIN HAD ALREADY BEEN MADE PUBLICLY BY PHELAN AND/OR DORWARD IN COURSE TSB EXAMINATION U.S./HONG KONG
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PAGE 02 GENEVA 00992 141448Z

AGREEMENT AND IN SOURCE TSB EXAMINATION "SELECTIVITY" ISSUE,

PROPOSED STATEMENTS WOULD BE COMPLETELY UNOBJECTIONABLE FROM OUR VIEWPOINT.

3. THRUST MILLS' ARGUMENTATION IS DIRECTED AT COUNTERING PURSUIT OF "SELECTIVE" AGREEMENT WITH HONG KONG. HKG HAS LEARNED FROM "RELIABLE SOURCES" THAT EC MANDATE, IN EFFECT, CALLS FOR "SELECTIVE" AGREEMENT WHICH HKG CALCULATES COVERS 98.5 PCT OF HONG KONG TRADE. MILLS WILL ARGUE THAT THIS APPROACH UNACCEPTABLE SINCE SPECIFIC LIMITS

IN U.S. AGREEMENT COVER ONLY 77 PCT OF TRADE AND THAT SUCH EC APPROACH RAISES REAL QUESTION SINCERITY EC'S PAST PROTESTATIONS REGARDING COMPREHENSIVE AGREEMENTS. MILLS WILL COUNTERPROPOSE A COMPREHENSIVE AGREEMENT WITH EC "ALONG LINES U.S./HKG AGREEMENT." MILLS ALSO MUCH CONCERNED OVER EC POSITION ON ESTABLISHMENT "REGIONAL QUOTAS" WHICH HKG SEES AS SEVERE MARKETING HANDICAP; E.G., LARGER QUOTAS IN COUNTRIES WHERE HK HAS SMALL MARKET POSITION AND VICE-VERSA. MILLS WILL CITE AS EVIDENCE BUILT-IN LIBERAL FLEXIBILITY IN US/HKG AGREEMENT FACT THAT HONG KONG EXPORTERS HAVE EQUAL ACCESS TO MARKETS IN "SEATTLE AND MIAMI" BUT NOT SO IN FRANCE AND GERMANY. MILLS HAS LITTLE HOPE OF REVERSING EC POSITION THIS MATTER BUT HOPES NEGOTIATE SOME "IMPROVEMENTS" IN QUOTA DISTRIBUTION AMONG MEMBER STATES. DALE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILES, AGREEMENT DRAFT, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975GENEVA00992
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750055-0913
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750243/aaaablzb.tel
Line Count: 83
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: HONG HONG 1377
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2003 by ShawDG>; APPROVED <22 SEP 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TEXTILES-HKG NEGOTIATIONS WITH EC
TAGS: ETRD, HK, US, EEC
To: STATE HONG KONG
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006